2006 Enterprise Transition Plan:

Excerpts From Volume One

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Business Agility and Accountability: Driving Transformation Forward

> *"As threats to the nation's security become more diverse and challenging, it is imperative that the United States' defense business operations perform with greater precision, flexibility, and velocity to support today's mobile joint forces."*
>
> **Gordon England, Deputy Secretary of Defense**

For the past several decades, the Department of Defense's (DoD's) business model has been configured to support a military dependent on large-scale weapons systems and prepared for sustained, predictable battlefield engagements in specific parts of the world. The contemporary defense business model must be different, to keep pace with the changing nature of the DoD's warfighting challenges. Today's model must allow the defense business enterprise to adapt and flex as decision makers deal with growing competitive pressures, changing regulations, and strategic and tactical course shifts. In this model, transformation is about reacting instantly and effectively to what today's modular, agile, technologically-advanced joint force demands.

The 2006 Quadrennial Defense Review (QDR) emphasized the critical need for Defense business operations that are agile, flexible, and horizontally integrated to sustain the Nation's highly mobile joint force in an era of uncertainty. The QDR mandate is clear: "the Department of Defense must reshape the defense enterprise in ways that better support the warfighter and are appropriate for the threat environment."

This new reality has given increased urgency to transforming the Department's business operations. Transforming those operations is no longer just a matter of achieving cost, schedule, and performance requirements. It's about business agility. At the same time, investments in business operations must promote financial accountability and responsible stewardship of the precious resources entrusted to DoD by the American people.

The DoD is bringing about real institutional change to accomplish these aims. Two primary factors in that success are:

- Alignment of defense business transformation to our ultimate customer—the warfighter; and,

- Tiered accountability for achieving transformation milestones and delivering improved business capabilities.

The Department has made significant strides in breaking down the cultural and systems barriers that hinder business agility. Changing the cultural mindset has meant redefining defense business in terms of the customers it serves, rather than the functions it performs. Breaking down systems barriers has meant, among other things, using common standards to integrate the business data owned by the Components. There is an increased need for tighter alignment of end-to-end business functions, better management visibility into operations, and a noticeable bias toward execution excellence. The current climate of making measurable business improvements every six months, tied to releases of the Enterprise Transition Plan (ETP), has succeeded in driving progress.

"The DoD business model… is fundamentally different post-Cold War. We no longer have the organizing construct of a single enemy; we now face very diverse and very uncertain competitors, which present a whole new set of challenges."

Kenneth Krieg
Under Secretary of Defense
(Acquisition, Technology
and Logistics)

The Department is employing industry and warfighter best practices in designing and managing its transformation effort. To that end, DoD has adopted a governance structure that implements tiered accountability based on the existing organizational structure of the Department. These tiers include a "corporate" or DoD Enterprise level and a Component level (the Military Departments, Defense Agencies, DoD Field Activities, and Combatant Commands). The Defense Business Systems Management Committee (DBSMC), chaired by the Deputy Secretary of Defense, manages the "corporate" or Enterprise-level requirements, and each Component (Military Department, Defense Agency, DoD Field Activity, and Combatant Command) manages its own unique mission support requirements. This distinction recognizes that, while the Secretary of Defense sets the tone from the top, each of the Components has its own way of achieving its mission, its own natural constituencies, and its own appropriations.

In 2005, the Acting Deputy Secretary of Defense Gordon England directed the establishment of the Defense Business Transformation Agency (BTA) as the entity responsible for executing Enterprise-level business transformation. In practical terms, this means that the BTA, the Under Secretaries of Defense (i.e., the Principal Staff Assistants, or PSAs), and the Components together identify those activities that must be executed to enable joint business support for the warfighting mission.

To coordinate DoD Enterprise and Component transformation efforts, the Department established the DBSMC as the apex of the formal structure to engage executive leadership in both the direction and execution of business transformation efforts. The structure includes new investment oversight, enhanced program management, and increased engagement and coordination among the Components.

Component-level business transformation is the responsibility of the Component headquarters. Components develop strategies, schedules, and budgets for their Component transformation, then implement these plans. Components are responsible not only for executing their individually assigned missions, but also for ensuring that joint operations run smoothly, and that information flows freely across the enterprise so DoD can function as a cohesive whole.

Enterprise-level transformation includes data standards, business rules, specific systems, and an associated integration layer of interfaces for the Components. These standards, which are established through joint cooperation, represent the "rules of engagement" to which all DoD Components must adhere. Thus, while the Department is not dictating how to transform, it is

ensuring that each Component's transformational programs increase the Department's ability to reap the benefits of improved information exchange across organizational boundaries. This type of integration will drive the Department down the path to interoperability and accelerate the Services' transformation efforts.

Strategic Objectives: Charting the Course

The overall objective of the Business Mission Area (BMA) is to ensure that the right capabilities, resources and materiel are rapidly delivered to our warfighters: what they need, where they need it, when they need it, anywhere in the world.

DoD's business transformation challenge is to provide unsurpassed end-to-end business support in peace and war. This transformation is driven by four strategic objectives that shape DoD priorities and serve as checkpoints through which to assess the efficacy of transformation efforts. Each program depicted in this plan will support one or more of the following strategic objectives:

- Provide support for the joint warfighting capability.

- Enable rapid access to information for strategic decisions.

- Reduce the cost of defense business operations.

- Improve financial stewardship to the American people.

Providing Support for Joint Warfighting Capability

Great companies demonstrate a passion for serving their customers. The most important customers of the Department's business operations are the men and women who put their lives on the line defending our country and the DoD is passionate about improving business operations to provide them the support they deserve.

DoD's business enterprise must be closer to its warfighting customers than ever before to rapidly anticipate and seamlessly support their full range of joint requirements and associated resourcing demands. Joint military requirements are driving the need for greater commonality and integration of business and financial operations. These changes place increased pressure on the business infrastructure to provide mission-driven, adaptive, and agile business services and information, such as real-time status of spares, repairable parts, and emergency supply replenishment.

This year, DoD accelerated its plan to bridge the gap between normal peacetime business operations and contingency processes within the theater of combat operations, aligning defense business transformation activities with in-theater business operations. Based on recent BTA momentum and a heightened need to speed business transformation support to deployed forces, the Deputy Secretary of Defense tasked the BTA with the "mission of streamlining and transforming the DoD contracting processes and systems in Iraq." The central activity in this effort is the Task Force to Improve DoD Contracting and Stability Operations in Iraq, a team of BTA business operations experts appointed by the Deputy Secretary of Defense. The mandate is to facilitate economic development and job creation in Iraq, thereby accelerating stabilization and reconstruction efforts. The Task Force will ensure contracts for goods and services are available as appropriate to Iraqi and US government organizations.

Supporting the warfighter also requires instant access to cross-Service personnel and installations data, consolidated healthcare information, and real-time resource and financial management information. Additionally, because warfighters are engaged on a broader scale than ever before, the Department's business infrastructure must be compatible with the global, networked military. To meet these challenges, the Department is applying innovations and best practices from leading companies as well as from the warfighters themselves.

Direct Support to the Tip of the Spear

DoD business transformation is broadening its focus from peacetime, garrison requirements to encompass customer-oriented expeditionary needs. For example, the Department's Standard Procurement System (SPS) and its corresponding business processes have been used in garrison for more than five years. However, our forces in Iraq lack the technical infrastructure to use SPS. To address this gap, the Department has adapted by testing and fielding an electronic hand-held purchase order device in-theater. This solution addresses one of the key challenges of procuring items in a deployed, hostile environment by reducing the administrative burden on field ordering officers, while improving accounting integrity. This solution also serves as an important feeder to other Information Technology (IT) systems that provide commanders with asset status to inform situational awareness.

DoD has begun to solve another in-theater challenge—keeping track of the movement of materiel—by funding radio frequency identification (RFID) devices. The BTA provided resources to deploy a tracking tool to the United States Marine Corps (USMC) that improves visibility of assets being delivered from the Marine Logistics Regiment to warfighters at various forward operating bases. The USMC can now leverage active and passive RFID and Global Positioning System (GPS) technology to provide real-time visibility of materiel in-transit, thereby reducing delivery cycle time and reducing labor time in the delivery process. This effort capitalizes on other Department efforts and closes a gap in materiel visibility on the battlefield. The BTA continues to work with ongoing Department efforts to expand the use of RFID throughout the supply chain.

Enabling Rapid Access to Information for Strategic Decisions

To make sound and timely decisions, senior DoD leaders need deeper insight into the Department's business operations; improved knowledge of supply chain operations; centrally available, secure, integrated data about military and civilian personnel and their locations, assignments, compensation, and duty status; and timely budgeting, accounting, and financial information.

Information Visibility Driving Enterprise Priorities

At the Enterprise level of the Department, DoD has identified and focused its transformation efforts on six strategic Business Enterprise Priorities, all of which make critical business information more visible and accessible:

- Personnel Visibility
- Acquisition Visibility
- Common Supplier Engagement
- Materiel Visibility
- Real Property Accountability
- Financial Visibility

These priorities represent those areas where increased focus will bring the most dramatic and immediate positive impact on the business missions of the DoD, enabling the Department to better answer basic questions about its people, its assets, its suppliers, and its investments. The plan for each priority details measurable program and Business Capability deliverables spread over the next several years. Achieving the objectives of these priorities will provide enduring improvements to the Department's business infrastructure, benefiting the warfighter by integrating enterprise business processes, reducing system redundancies, and continuously improving financial transparency.

Achieving the priorities will improve DoD's ability to answer essential questions such as:

- Who are our people? What are their skills? Where are they located?

- Who are our industry partners, and what is the state of our relationship with them?

- What assets are we providing to support the warfighter, and where are these assets deployed?

- How are we investing our funds to best enable the warfighting mission?

Reduced Cost of Defense Business Operations

Defense business operations are being streamlined so that DoD can more effectively deliver warfighting capabilities, contend with growing pressures on resources, and benefit from economies of scale. To that end, the Department is focusing investment management on the total investment needed to achieve specific Business Capability improvements. DoD is accelerating the acquisition process for business systems through a new process called the Enterprise Risk Assessment Model (ERAM), which will allow the Department to better respond to emerging technology, make better decisions about how to manage investments, and deliver Business Capability improvements faster. The focus is on a proactive, collaborative approach designed to provide insight instead of oversight. DoD is conducting an initial test of the process, using three of the largest current systems acquisitions.

The Department is also reducing costs through the integration of enterprise business applications and services, leveraging best practices across large system implementation initiatives, and working toward rapid adoption of DoD-wide information and process standards. Better integration reduces costs by improving information quality and minimizing system customization. Costly and outdated systems, procedures, and programs tax resources from warfighting and stifle innovation. Faster, more efficient processes reduce costs while delivering better support.

Investment Management to Control Spending

To support this objective, DoD is using an investment review process to ensure that our business systems investments are delivering measurable value and Business Capability improvements. The Investment Review Boards (IRBs) support this investment review process and include representatives from the relevant Services, Defense Agencies, and Combatant Commands. The IRBs will evolve their processes to better assess the value of modernization investments relative to their impact on end-to-end business process improvements that support warfighters.

As of 30 September 2006, the DBSMC has approved 274 systems recommended by the IRBs. These systems represent approximately $4.91 billion in modernization investment funding.

If programs are not delivering critical Business Capability improvements at an appropriate return on investment, funding from these programs may be shifted to other initiatives that offer higher business value potential but require additional resources in the short term.

Reducing Costs through Integration of Enterprise Business Applications and Services

Transforming DoD's business operations requires a rapid flow of information across multi-level system and organizational boundaries to support the joint warfighter. Defense enterprise integration entails transforming Component-specific Enterprise Resource Planning (ERP) systems into an interoperable set of service delivery capabilities by aligning with DoD-wide Business Enterprise Architecture (BEA) standards. Enterprise integration seeks to leverage best practices across DoD ERP implementation initiatives and work toward rapid adoption of DoD-wide information and process standards. Additionally, a desired outcome is to eliminate burdensome processes that hinder successful, rapid deployment of ERP capabilities within the Components. Enterprise integration helps the Components reduce the costs of configuring Commercial Off-The Shelf (COTS) technology within and across their organizations—and to overcome the statutory, regulatory, and cultural issues of implementing commercial best practices.

Achieving Efficiencies through Enterprise System Portfolio Management

An important activity related to defense enterprise integration is bringing IT systems from across DoD into a common portfolio of business enterprise programs to provide enhanced visibility, advocacy, and direct accountability to senior leadership and enable focused implementation of DoD Enterprise Business Capabilities.

In 2005, the DBSMC Chair established the Defense Business Systems Acquisition Executive (DBSAE) within the BTA to directly oversee designated Enterprise-level business systems. Beginning in October 2006, the DBSAE will expand its oversight to include a total of 25 programs. The DBSAE will adopt a portfolio structure to enable DBSAE programs to benefit from a portfolio view of their efficiency and cost-effectiveness in supporting a more operationally-driven and responsive business environment. Emerging portfolios are Sourcing, Enterprise Finance, and Military Human Resources Management. This view will allow the DBSAE to generate portfolio-driven strategies within and between portfolios, and therefore enable the best strategies for resources, business intelligence, hosting, and change management.

Improved Financial Stewardship to the American People

The Department recognizes its responsibility to the American people to manage resources carefully as it executes its mission to support the joint warfighter. The programs detailed in the ETP will further the Department's ability to do so. These programs support the DoD's Financial Improvement and Audit Readiness (FIAR) Plan for achieving an unqualified audit opinion. The FIAR Plan charts a course to sound financial management by improving internal controls, resolving material weaknesses, and advancing the Department's fiscal stewardship. Deployment of the business systems detailed in the ETP will drive the Department's ability to achieve a clean audit. For example, the deployment of the Capital Asset Management System-Military Equipment (CAMS-ME) will impact the Department's ability to achieve favorable audit results for military equipment. By improving DoD's audit readiness, the Department is helping to satisfy its responsibility for stewardship of the resources provided by the American taxpayer.

Programs in the ETP are also critical to the DoD's Military Pay Improvement Action (MPIA) Plan to ensure the timeliness and accuracy of military pay, especially for those who are deployed or hospitalized. DoD has established a Wounded-in-Action (WIA) Pay Account Management effort to address near-term DoD problems in paying wounded warfighters accurately and on-time. Improving pay accuracy is critical to satisfying our responsibility and accountability to the men and women in our Armed Forces.

Core Business Missions: Aligning Business to Support Warfighters

To support a DoD-wide process of identifying joint needs, analyzing capability gaps, and implementing improvements, the BMA is conceptually aligned to focus on supporting the warfighting mission. This new construct enables a capabilities-based approach to enterprise business planning, resourcing, and execution. The BMA encompasses five Core Business Missions (CBMs):

Figure 1: Core Business Missions

Human Resources Management: The Human Resources Management CBM is responsible for all Human Resources-related processes necessary to acquire, train, and prepare personnel to populate warfighter and support organizations. This includes providing trained, healthy, and ready personnel to combatant and combat support organizations and ensuring timely and accurate access to all applicable compensation and benefits for all DoD personnel.

Weapon System Lifecycle Management: The Weapon System Lifecycle Management CBM is responsible for full lifecycle management, cradle-to-grave, of Defense acquisition of weapons systems and automated information systems to include requirements, technology, development, production, and sustainment.

Materiel Supply & Service Management: The Materiel Supply & Service Management CBM manages supply chains for the provision of materiel supply and services to maintain readiness of non-deployed warfighters and for deployed warfighters to support operations at the various Operational Tempo (OPTEMPO) levels. This includes all aspects associated with acquiring, storing, and transporting all classes of supply, up to the point where those supplies are provided to operational units and deployed warfighters.

Real Property & Installations Lifecycle Management: The Real Property & Installations Lifecycle Management CBM provides installations and facilities to house military forces, store and maintain military equipment and to serve as training and deployment platforms for dispatch of warfighter units. This CBM capability also provides accountability for real property assets and resources and supports environmental stewardship of assets.

Financial Management: The Financial Management CBM is responsible for providing accurate and reliable financial information in support of the Planning, Programming, Budgeting, and Execution (PPBE) process to ensure adequate financial resources for warfighting mission requirements. It provides accurate financial information to reliably cost: (1) the conduct, output, and performance of DoD operations and missions both in total and in varying levels of organizational, operational, and resource detail; and (2) ongoing, completed, or projected programs in support of warfighting requirements.

These five CBMs integrate horizontally across all business functions (e.g., planning, budgeting, IT, procurement, maintenance, etc.) to provide end-to-end support. The Department's business transformation effort integrates these five CBMs to ensure that their processes, systems, and operations work in coordination with one another. The six Enterprise-level business priorities serve as short-term objectives, driving specific programs, that deliver capabilities in support of each of the CBMs.

Each CBM is led by the appropriate PSA. As CBM "owners" within the Office of the Secretary of Defense (OSD), the PSAs ensure the alignment of transformation investments to end-to-end operational support improvements.

Business Transformation Progress

The Department's drive to make demonstrable business improvements every six months is yielding progress at an unprecedented rate. Within the past year, the defense business transformation effort has achieved over 85 percent of the scheduled milestones, and revised schedules for accomplishing the remaining milestones.

Enterprise-level Transformation

The sections below highlight achievements within each Business Enterprise Priority.

Personnel Visibility Improvements

Personnel Visibility is focused on providing access to reliable, timely, and accurate personnel information for warfighter mission planning. Benefits include accurate and timely access to compensation, decreased operational costs, reduced cycle times, and enabled management of DoD human resources in a combined (military, civilian, and contract support) environment.

The Department recently completed Air Force and Army Go Forward Assessments for the Defense Integrated Military Human Resources System (DIMHRS Pers/Pay). Both Services are proceeding with DIMHRS implementation, as directed by the DBSMC. Current plans show DIMHRS will be implemented in the Army and Air Force in 2008, pending planned DoD reprogramming actions. DoD also established an executive-level Steering Committee and a DIMHRS Configuration Control Board (CCB) to ensure that DIMHRS is aligned with Service/Defense Agency needs.

Acquisition Visibility Improvements

Acquisition Visibility is focused on providing transparency and access to information critical to supporting lifecycle management of weapon systems and automated information systems. This transparency supports improved investment decisions, accountability, management agility, and reporting to Congress.

Acquisition Visibility's most significant recent accomplishment is providing Congress access to the unclassified portions of Selected Acquisition Reports (SAR) data for 89 programs using standard desktop browsers. The Defense Acquisition Management Information Retrieval (DAMIR) capability eliminates the need for 6,230 individual SAR reports to be printed, inspected, packaged, manually delivered and routed to 70 Congressional recipients.

Common Supplier Engagement Improvements

Common Supplier Engagement is focused on aligning and integrating policies, processes, data, technology, and people to simplify and standardize the methods that DoD uses to interact with commercial and government suppliers.

The Department has created a single enterprise system for electronic document storage, with 50,000 users, that serves as a feeder to Wide Area Workflow (WAWF).

DoD implemented the first phase of an automated contingency contracting capability, enhancing the accuracy, accountability, and visibility of procurement transactions conducted in-theater.

Materiel Visibility Improvements

Materiel Visibility is focused on improving supply chain performance. Benefits include timely and accurate information on the location, movement, status and identity of materiel and supplies for the warfighter.

As a result of the Military Equipment Valuation initiative, DoD has established, for the first time in its history, the acquisition cost and useful life of each item of military equipment in the DoD inventory, using a consistent approach that can be audited.

The Department recently kicked off an initiative that will enable DoD to use commercial data standards for many online transactions. The Department also expanded the requirement for contractors supplying materiel to DoD to affix packages with passive radio frequency identification (RFID) tags to improve materiel visibility.

Real Property Accountability Improvements

Real Property Accountability is focused on ensuring that DoD has accurate and reliable information on its real property and environmental assets.

DoD has enacted a policy that ensures enterprise-wide compliance with procedures for managing real property inventory, and drafted standard business processes and information requirements for accepting real property into the DoD inventory. These policies and processes provide the structure for consistent and auditable real property financial information of newly acquired or upgraded property, including uniform depreciation.

Financial Visibility Improvements

Financial Visibility is focused on providing immediate access to accurate and reliable financial information that will enhance efficient and effective decision making. This will also contribute to the Department's ability to better depict its financial condition so that it can be confirmed by clean audit opinions.

DoD is laying the foundation for Financial Visibility, starting with the Standard Financial Information Structure (SFIS) that facilitates a common language for external reporting. The Business Enterprise Information Services (BEIS), using SFIS, has deployed an Executive Dashboard for the Comptroller to provide visibility of daily status of funds including funds for contingency operations such as hurricane relief and the global war on terrorism. BEIS has also deployed an enterprise web service as the authoritative source for SFIS values.

Component-level Transformation

The ETP details the business modernization efforts of the six DoD Components with the largest business transformation impact. This release of the ETP also marks the inclusion of transformation efforts already underway in the Military Health System (MHS). These Components, and MHS, are enabling defense business transformation by supporting the Enterprise Priorities (defined previously) while also implementing their specific priorities.

The **Department of the Army** is implementing dramatic changes in force structure to realize the Army Vision: "Relevant and Ready Landpower in Service to the Nation." The Army is developing soldiers, leaders, and modular forces to ensure the Army remains the preeminent land power on Earth and the ultimate instrument of national resolve. The Army's four transformational goals are increasing situational awareness; improving asset accountability; leveraging Army enterprise-wide synchronization between initiatives to align people, processes and technology; and applying an improved Information Technology (IT) Investment Strategy.

Over the past year, the Army:

- Analyzed and planned the transition of existing systems to the future acquisition system, including analyzing over 90 business system investments for potential elimination, and five larger, interim systems for incorporation into the future acquisition system.

- Implemented the Hazardous Material Management Program (HMMP) enterprise architecture, which was instrumental in defining roles and responsibilities of the program and yielded a cost avoidance of $29 million.

- Completed the General Fund Enterprise Business System (GFEBS) technology demonstration, gaining permission to go to development of the live system that will tie together all Army financial and management systems, resulting in approximately $300 million per year cost avoidance when completely fielded.

The **Department of the Navy (DON)** business transformation vision is to significantly increase the readiness, effectiveness, and availability of warfighting forces by exploiting process improvements, technology enhancements, and an effective human capital strategy. Transformational objectives include developing and maintaining a secure, seamless, interoperable information infrastructure; creating optimized processes and integrated systems; optimizing investments for mission accomplishment; transforming applications into web-based

capabilities to improve effectiveness and gain efficiencies; and aligning governance to produce a single, integrated Navy enterprise. Over the past year, DON:

- Implemented DoD's WAWF and saved $11 million in the first eight months of Fiscal Year 2006, through lower financial processing fees and reduced interest charges. As the DON's user base and transaction volume increase, so will WAWF-related savings.

- Merged the Navy's authoritative contract database, Navy-Air Force Interface, with the DoD database, Electronic Document Access, eliminating $1.4 million in annual system sustainment costs and increasing information access for government, industry and the public.

The **Department of the Air Force** business transformation vision is to create capabilities that provide rapid and predictive operational support and response through situationally aware Commanders. The Air Force's transformational goals are: (1) to improve warfighter effectiveness by fashioning fast, flexible, agile, horizontally integrated processes and systems, and (2) to establish a culture of continuous improvement to achieve increased efficiencies. In the past year, the Air Force:

- Put into place Strategic Supplier Management agreements for 20 key parts and services vendors; implemented weapon system commodity councils to orchestrate and leverage buying parts and repair services; and implemented enhanced customer relations management at the three primary Air Force inventory control points. These initiatives have resulted in revised business practices and improved acquisition strategies saving the Air Force millions in unneeded inventory procurement and expedited parts deliveries.

- Successfully launched the Total Force Personnel Services Delivery (PSD) initiative on 31 March 2006, providing Airmen access to information and services 24 hours a day, seven days a week.

The **Defense Logistics Agency (DLA)** vision is to dramatically improve warfighter support at a reduced cost through business process reengineering, workforce development, technology transformation, and organizational change. DLA's overarching business transformation goal is to replace its legacy business and systems environment with a new business model and organizational structure, supported by Commercial Off-the-Shelf (COTS) based IT. This will enable DLA to become a single, fully integrated enterprise that is a more robust customer-focused agency. DLA will be a manager and integrator of supply chains that are essential to military readiness and that capitalize on commercial supplier partnering capabilities. Over the past year, DLA:

- Added 5,323 users to several supply chains, added over 3 million National Stock Numbers, and is now managing $10 billion in annual demand, all in support of the DLA Business Systems Modernization (BSM). BSM functionality now enables customers to make supply queries online, place orders, improve delivery time, obtain automated product data information, and provide commanders immediate access to stock information.

- Achieved initial operational capability for the Customer Relationship Management (CRM) program in April 2006. CRM provides functionality for marketing, sales, and service processes, and removes inefficiencies that encourage customers to purchase goods independently rather than go through DLA. As of 31 May 2006, DLA sales from CRM had increased by $73 million.

The **United States Transportation Command (USTRANSCOM)** vision is to change its orientation from a command that provides strategic transportation, to one that is responsible for creating and implementing world-class global deployment and distribution solutions in support of the National Security Strategy. Specific goals are to provide end-to-end Total Asset Visibility (TAV) and In-transit Visibility (ITV); improve decision cycle time by providing IT support that turns real time data into actionable information; promote DoD-wide financial solutions; and optimize end-to-end distribution through improved and standardized resources, processes, systems. In the past year USTRANSCOM:

- Obtained approval for the funding and approach for Agile Transportation for the 21st Century (AT21) Increment 1 in May 2006. AT21's visualization and analysis tool was implemented in the operations centers of the US Transportation Command, Air Mobility Command, and US Central Command. AT21 will provide the capability to optimize deployment and distribution, increasing the availability of airlift assets for critical requirements by allocating other movement requirements to sealift, thereby reducing costs.

- Implemented a concept of operations for a transparent Distribution Portfolio Management process. Over 270 systems were deemed of distribution interest. Of those, over 200 systems have been selected as candidates for the Distribution Portfolio and 71 systems have been eliminated, consolidated, or targeted for future migration, significantly reducing duplication and costs within the Distribution Portfolio.

The **Defense Finance and Accounting Service (DFAS)** vision is to enable the warfighter through excellence in finance and accounting operations. DFAS's transformation goal is to produce higher quality products and services at lower cost by delivering error-free pay services on time; providing business intelligence that supports better operational resource allocation and decision making; establishing and maintaining a partnership with our customers; and attracting, developing and retaining a first-rate work force. DFAS in the past year:

- Established the Wounded-in-Action (WIA) Pay Account Management effort to address DoD problems in paying wounded soldiers accurately and on time. As part of the WIA program, more than 58,000 battle and non-battle injured Military Pay accounts were reviewed, reducing the pay account review backlog by 92 percent. DFAS corrected inaccurate pay and entitlement information, stopped erroneous collection agency referrals, and suspended indebtedness actions pending a thorough pay account review. DFAS also approved more than 2,800 requests for remission of indebtedness from WIA and injured soldiers. More than $2.3 million in debts was forgiven.

- Converted and provided payment to 18,000 Environmental Protection Agency (EPA) pay accounts, as one of four federal payroll providers, thereby reducing costs to taxpayers. The federal E-Payroll initiative consolidates 22 federal payroll systems to simplify, standardize and better integrate payroll, human resources and finance functions. As part of this initiative, DFAS has converted other agencies including the Department of Energy, the Department of Health and Human Services, and the National Geospatial Agency, in addition to the recently converted EPA.

The **Military Health System (MHS)** vision is to be a world-class health system that supports the military mission by fostering, protecting, sustaining and restoring health. The MHS business transformation plan focuses on continuity of care across a DoD/Department of Veterans

Affairs (VA)/civilian healthcare delivery system, a shift from reactive to proactive care, and more efficient healthcare operations. In the past year, MHS:

- Deployed AHLTA at 122 of 138 DoD medical facilities and trained 52,453 of 63,000 total users by 28 July 2006. AHLTA deployment is providing greater unification and availability of health information, which will ultimately enhance point of care activities that will help transform the delivery of healthcare.

- Implemented the Federal Health Information Exchange (FHIE), the first phase of the Joint Electronic Health Records Interoperability suite (JEHRI) implementation, from March 2006 through June 2006. This resulted in increased unique patients from 3.29 to 3.5 million; lab results from 45.6 to 46.9 million; radiology reports from 7.27 to 7.4 million; pharmacy records 45.8 to 47.1 million; and standard ambulatory records from 44.2 to 46.3 million. These increases have contributed to a seamless transition for separated Service members enrolling for care at the VA.
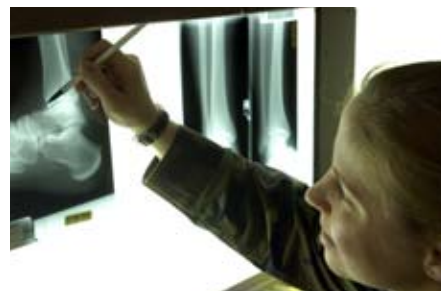
Business Transformation Across the DoD

DoD's approach to business transformation is based on the integration of efforts across the Department, exemplified by the integrated story in the Enterprise Transition Plan. Figure 2 provides an overview of business transformation at the Enterprise and Component levels and across the Defense Medical enterprise.

Figure 2: Integrated Business Transformation Story
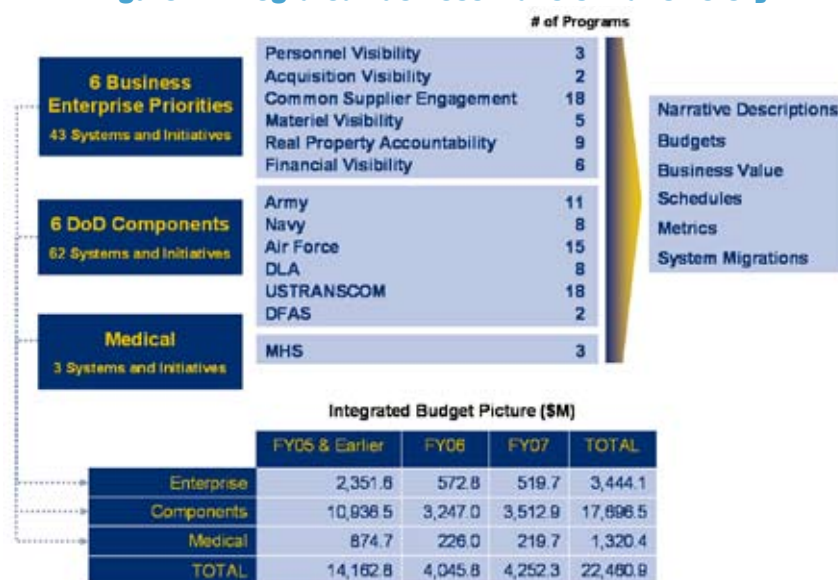
A Business Value Added Framework to Drive Transformation

DoD is committed to building business processes with agile performance under accountable oversight. To foster the emerging culture of accountability, DoD is institutionalizing a better enterprise view of business modernization investments and their corresponding business value in both financial and operational terms. This release of the ETP includes a Business Value Added (BVA) Framework to drive transformation progress and performance management at

the CBM level. The approach delivers tangible, measurable outcomes that are important to the warfighter, and at the same time create transparency for the taxpayer. Accountability for performance cascades to the appropriate management level (DoD Enterprise, Component, or Program), with metrics at all levels aligned to the CBMs.

These CBM-level outcomes are aligned through the Business Enterprise Priorities and Business Capabilities to investments in systems and initiatives, to ensure that target programs are positively impacting the desired outcomes of the CBMs and are producing the desired transformation outcomes.

DoD has chosen to track the progress towards achieving ten BVA outcomes that affect the four strategic objectives of the Department's business transformation efforts: warfighter support, rapid access to information, cost reduction of Defense business operations, and an improvement in financial stewardship. The ten BVA outcomes are depicted in Table 1.

Table 1: Business Value Outcomes	
On Time Customer Request	An improvement in the number of requisitions that are delivered by the Required Delivery Date (RDD)
Cash-to-Cash Cycle Time	A reduction in time from when funds are obligated to when a product or service is delivered to the end customer
Time to IOC/FOC for Acquisition Category (ACAT) 1 and ACAT 2 Systems	An improvement in the time it takes to bring major acquisition systems to Initial and Full Operational Capability
Time to IOC/FOC for Urgent Combatant Command Requests	A reduction in the time it takes to initially or fully realize an urgent request from a deployed Combatant Command
Weapons Systems Operational Availability	An increase in the percentage of time that each weapons system is fully functional
Cannibalization Rate	A decrease in the rate at which parts from major end-items (e.g., weapons systems) are removed from one and placed into another
Real Property Utilization	An improvement in the availability of mission critical and mission dependent inventory, and a decrease or elimination of non-mission-dependent inventory
Personnel Requirements Fulfillment	An improvement in the ratio between the current manpower level and the level approved for an organization to deliver its current and future services
Payroll Accuracy	Elimination of pay errors, either in pay amount (over or under the correct amount) or in the time payment is made, e.g., late payments
Financial Transparency	An improvement in the quality, usefulness, reliability, and timeliness of financial information for decision makers

Managing Enterprise Transformation through the Defense Business Transformation Agency

A business enterprise by its nature is not a functional, stovepiped organization, but an integrated operating entity focused on optimal performance. The BTA seeks to enable an enterprise-view of defense business performance and serve the corporate needs of the entire Business Mission Area in an integrated way. Establishing the BTA is a significant accomplishment in its own right and provides a solid foundation for future progress.

The BTA supports enterprise business transformation by centralizing resources, funding, and oversight of execution of DoD-wide business transformation activity as directed by the DBSMC. This approach is consistent with a corporate model but it is new for OSD policy offices to integrate their respective lines of business. For example, the DBSMC established the DBSAE within the BTA to directly oversee designated enterprise-level business systems. This removes multiple decision-making layers and resolves enterprise-level issues at the executive level. The DBSAE is progressively adding Enterprise-level systems and initiatives to its oversight in an effort to provide better, more coordinated and efficient management of these programs.

Another of the BTA's most significant achievements has been developing a culture of continuous improvement to encourage a mind-set that says, "every six months, things get better." Continuous improvement relies on tangible outcomes that are measurable, that impact the warfighter and that create transparency to the taxpayer. This culture improves the current state by encouraging a passionate sense of dissatisfaction with wherever the Department is at any given time. The BTA has made progress in helping the Department see why the status quo is unacceptable and maintaining momentum for transformation by continually asking, "How are we making things better for the warfighter, decision maker, and the taxpayer?"

In support of the DoD's four strategic objectives for business transformation, the BTA is focused on:

- **Getting Closer to Our Customers** by achieving business transformation results that make a difference to the warfighter.

- **Realizing Business Capabilities through Program Portfolio Management** using Defense Business Systems Acquisition Executive (DBSAE) leadership to improve acquisition oversight of Enterprise programs.

- **Guiding Transformation with Plans and Architectures** (the ETP and the Business Enterprise Architecture) through an integrated approach for transformation.

- **Enabling Business Agility through Service-Oriented Architecture (SOA) and Federated Architecture** to manage business integration and expedite transformation by better coordinating linkages between the Enterprise, Component, and Program business IT services and architectures.

- **Increasing Enterprise Integration** by leveraging best practices across major DoD systems implementations and working toward rapid adoption of DoD-wide information and process standards.

- **Evolving Investment Review and Accelerating Systems Acquisition** to provide better, faster Business Capability improvements and achieve greater investment return.

- **Developing and Fielding Transformation Expertise** through an active human capital strategy focused on building government skills to integrate and execute DoD's business transformation efforts.

The Way Ahead

"We remain committed to the vision of a defense business enterprise that is both agile and accountable, and we are building a customer-centric culture that is keenly aware of its obligations to the American people and to the brave Soldiers, Sailors, Airmen, and Marines who protect us."

Gordon England, Deputy Secretary of Defense

The campaigns in Iraq, Afghanistan and other theaters in the global war on terror have added new impetus and urgency to transformation efforts already underway in the DoD. As the war in which we are now engaged demands increasing levels of military agility and responsiveness, it is imperative that Defense business operations keep pace with the rapidly changing needs of the warfighters we support.

The Department has initiated significant change and accomplished much over the past year, especially in linking business transformation to the warfighter. Moving forward, DoD will continue to focus its efforts on providing improved support to warfighters and decision makers and enabling greater financial accountability. The Department will maintain an aggressive schedule to improve business capabilities in support of our strategic objectives.

In each complex and difficult struggle, America's Armed Forces have done everything asked of them and done it with courage. We owe it to them—and to the country they are sworn to protect—to provide the resources and capabilities they need to win today's wars, and ensure the survival of freedom in the decades ahead. Business transformation will continue to support this mission by providing direct, measurable benefits to the warfighter and improved steward-ship of the resources the Nation has entrusted to the Department.

For more information, visit www.dod.mil/dbt or www.dod.mil/bta.